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THE

CHISM OF WAGES AND CAPITAL.

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JOHN WATTS, PH.D.

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CATECHISM OF WAGES AND CAPITAL.

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PREFACE.

During a temporary absence from home in search of health, almost every glance at a newspaper furnished accounts of strikes by workmen or lockouts by employers, caused by disputes on account of the rate of wages, or in consequence of restrictive trades-society rules. Believing that a more general knowledge of the conditions by which wages must at all times be regulated, would prevent these disturbances and the great loss of wealth which is consequent thereon, and prevent also the severe sufferings of the artisans, the writer has made an effort to so simplify that knowledge that every reader shall be able to comprehend and appreciate it.

How far he has succeeded in his endeavour the reader must judge, and if the success achieved be not equal to the wish of the writer, it is hoped that his goodwill may in some degree excuse his imperfections.

CATECHISM, &c.

1. Can you give a definition of wages?—Yes, wages are payments for services rendered by workmen to proprietors or employers.

2. What is a proprietor?—One who has the right to hold and use, to the exclusion of others, certain lands, buildings, tools, machinery, or produce.

3. Why do some men work for others instead of for themselves?—Because, generally, they possess neither materials to work up, nor store of produce to live upon during their work.

4. Then do wages partake of the nature of loans to workmen, until the fruits of their labour are realised?—Yes, certainly, wages will fairly bear that comparison, the interest paid for use varying, however, according to the ultimate amount of produce in each case.

5. What is the ordinary name for the fund out of which these (wages) loans come?—Capital.

6. Can you explain the nature of capital?—Yes, capital is that portion of wealth which is invested, lent, or used, with a view to making profit.

7. Do wages usually include the whole capital of an employer?—Certainly not; he is obliged to invest according to the work to be done—in buildings, machinery, tools, and raw materials also.

8. And what is profit?—Profit is that portion of wealth over and above the original investment, which remains to the employer after payment of wages and all other the necessary charges connected with working.

9. Is it not a fact that many investments of capital prove not only unprofitable, but even ruinous?—Yes, and the uncertainty of the returns from investments, is another reason why some men who do possess a little wealth still prefer working for wages to working for themselves.

10. Do you mean that such men prefer a certain and regular wage without risk of loss, to the chance of a much larger reward accompanied also by the chance of no reward at all, and perhaps even the loss of the capital invested ?—Yes, certainly.

11. Is there any natural law or rule to regulate the amount of wages to be paid to workmen ?—There can be no absolute rule where the human will is an element, but there are two rules which tend to regulate the wages paid in different employments; first, that which gives for work requiring great knowledge and skill, large wages as compared with occupations where less skill is required; and second, that which treats all labour as a commodity for sale, and which lowers its price when plentiful, and raises it when scarce, in proportion to the wants of a locality.

12. Can you give an illustration of the first of these rules ?—Yes, the profession of a civil engineer requires great knowledge and skill, and it is not unusual for one of this class to earn as much in a single day as an agricultural labourer gets for a whole year's work.

13. Do you think it right for such a great difference of emolument to exist amongst men? Right or wrong, so long as we need the services of the civil engineer, the only mode of lowering his price is by increasing the number of talented men in the profession: and it must not be forgotten that the preparation for such a profession involves a great outlay for education, and that it is occasionally possible for such a man in a day to overcome difficulties, in the way of production, which the whole lifetime of an ordinary labourer could not accomplish. It would be impossible, for instance, to estimate in money the value of the steam-engine, or the self-acting mule, in the production of wealth, and yet they cost but a small portion of the life of the inventor of each.

14. Will you give an example of the second rule?—Any of the large staple trades, such as the cotton, iron, or coal trades, constantly exemplify the second rule; for in all of them the rates of wages are adjusted from time to time according to the demand for their various productions, and the plenty or scarcity of operatives needing employment.

15. Can you indicate any positive limits be-

yond which wages cannot go ?—Yes ; wages, together with other working expenses, can never for any considerable period absorb the whole increase from an investment, for in that case employers would cease to invest; and so, on the other hand, wages can never fall below the amount which is absolutely necessary for the existence of the labourer. During the cotton famine, the Executive Committee ruled that any work which would not afford at least as much in wages as their scale of relief, ought not to be encouraged.

16. Can you give any reasons for the falling off of demand, from time to time, so as to produce bad trade ?—Yes ; the principal ordinary cause of bad trade is a bad home-harvest, whilst the occurrence of war, or of large unprofitable speculations, are also subsidiary causes.

17. Will you show how a bad harvest produces an injurious effect upon trade ?—The harvest of 1866, in this country, was deficient to such an extent that the food of the people will cost £20,000,000 more than in the previous year ; that amount, a large proportion of which must now be paid to foreign countries for food, would otherwise mostly have gone to increase

trade; and the investment of such a fund, at £80 per man, would have employed 25,000 persons, many of whom must now either remain unemployed, or must work at reduced wages, until this misfortune is overcome.

18. I presume you mean that if the extra money had not been required to purchase food, it would have been spent either in the purchase of clothes or other commodities, or would have been invested in extra workshops and machinery, or in the building and furnishing of houses, and would so have increased trade in all these departments?—Yes, that is my exact meaning.

19. But are you not aware that the high price of food, which you say makes bad trade, is often pleaded as a reason for a rise in wages? Yes; I am sorry to say it is often so used; but if the argument could prevail, the effect would not justify the hopes of the applicants.

20. Will you give some reason for your assertion?—If each man grew his own patch of corn and potatoes, and had a bad harvest, it would require no reasoning to show him that he must consume less and work harder till the next

harvest; because if he went on consuming his usual quantity his store would be exhausted before the next harvest came, and he would die of famine. Now wages, although paid in money, are really only orders on the various shopkeepers (payable on demand), and if food is short, an increase of these orders (wages) will not increase the amount of food; and, therefore, if wages be raised in any particular employment to enable the operatives to get more food, everybody else must suffer for it, whilst a general rise of wages for the same purpose would be immediately followed by a similar rise in the prices of provisions; so that the increase of wages would not command an ounce more food, but would pass as a pure gratuity to the holders of produce.

21. And how would such a rise in wages affect trade?—It would make it still worse; for the rise of wages would make necessary a higher price for the goods produced, and the demand for such goods by all except the traders in food would fall off in consequence, and thus throw more people out of employment.

22. And if we had a bad harvest of cotton instead of corn, what would be the conse-

quences?—The prices of cotton goods would rise, as they did during the American Civil War; the demand for them would be lessened and operatives thrown out of employment; but the severe suffering would be confined to the cotton manufacturing districts, because the lessened demand for food and other commodities by the cotton operatives would tend to keep down prices, and to some extent compensate all other persons for the higher prices of cotton goods.

23.—Would this reasoning apply to other trades which are mainly dependent on natural productions?—Yes, certainly; it would equally apply to the linen and woollen trades, and it has for some years been exemplified in the silk trade, where a disease among the silkworms and the political troubles of the silk-growing countries have rendered the raw material scarce and very dear.

24. Do not difficulties often occur between employers and workpeople as to the rate of wages to be paid?—Yes, when trade is only moderately good, employers being mindful principally of their own risks, are anxious to make their outlay in wages as small as possible;

whilst the workmen, seeing that employers frequently become rich, are apt to think their wages an inadequate share of the joint produce of labour and capital.

25. And what results from this dissatisfaction?—The frequent result is what is called a strike, or a general refusal by the people at one or more mills or workshops to continue at work for the offered wages, and the consequent closing of the mills or workshops.

26. And how do the people manage to live without work?—They live very wretchedly indeed, either upon funds accumulated by their trade society, or on contributions from other trade societies, or upon subscriptions which are begged from shopkeepers and others, who pity their troubles, even when self-inflicted.

27. Is it not the duty of every man to do the best he can for himself and his family, and therefore to secure the best wages which he can get?—Undoubtedly; but it is not the duty of any man to drop the substance which he possesses in order to grasp at a shadow which looks larger. There are probably very few men who are perfectly satisfied with their present positions, but there

would be an end to society to-morrow if all the dissatisfied were to throw up their present situations without having first secured better ones.

28. Then do you think that combined action amongst workmen cannot raise wages?—Combined action may and does raise wages in some instances; but looking to the country as a whole, it is easy to show that the operation of strikes is to hinder instead of to assist the general rise of wages.

29. Can you state any conditions under which, independently of combined action on the part of workmen, wages must necessarily rise?—Yes; when wealth increases so rapidly that employers seek to invest more and more, *i.e.*, set up additional mills and workshops, until there is a difficulty in finding men to fill them, wages must rise; for the man who has 1,000 looms at work, and is making 15 per cent per annum upon his outlay, will, if he has 500 looms waiting for hands, rather make 12½ per cent on 1,500 looms than 15 per cent on 1,000, and will raise wages in order to procure extra hands. And this reasoning will apply equally to all other trades.

30. And under what circumstances must

wages necessarily fall?—When wealth increases so slowly that there are more workpeople than can be profitably employed; then unless an employer can, by a reduction of wages and other expenditure, still continue full work at a profit, he must limit production by discharging workmen or by working shorter hours, thus producing a competition for employment, which will render a reduction of wages easy. In the town of Macclesfield, where population has increased more rapidly than wealth for many years past, combination has not only failed to keep up wages, but it is doubtful if, within the last generation, there is another instance of so great a fall in prices

30A. Would not a resort to short-time working be a better cure for bad trade than a reduction of wages?—Short-time working by agriculturists, when food is high-priced, would lessen instead of increasing the next harvest, rendering food still higher priced and all other trades worse. Short-time working in manufactories, when bad trade arises from a bad food-harvest, would keep up the prices of commodities when the need is greatest to reduce them, in order to compensate in some degree for the dearness of food; but short-time working in the cotton trade, when

raw cotton is scarce, would be a good measure if it could be generally adopted. But an employer who is full of orders is not likely to work short time, in order to share profits with his neighbour; and the alternative for the workmen who are out of employ is to seek other occupation until the next cotton harvest, which occupation, when it can be found, is even better for all parties than short-time working, because it adds to instead of diminishing the general production of wealth.

31. How do you show that strikes hinder instead of assisting a general rise of wages?—Employers are necessary to provide employment; capital is necessary to make employers; the more capital there is seeking for investment the more workmen will be wanted, and the higher will wages rise: now strikes, by stopping the production of wealth, prevent the increase of the capital seeking for investment, and therefore hinder the competition for workmen. Thus, during the year 1866 at least £200,000 was lost in wages alone by strikes and lockouts, the consequences of strikes, in England; and it is probable that employers and shopkeepers lost an equal amount. Now, the bulk of this latter sum, if acquired, would have

sought investment for profit, and at £80 per man would have found permanent employment for 2,500 men more than can now be employed, because strikes have prevented the saving of that amount of capital.

32. Then you mean to say that although it is occasionally possible for wages to be forced up in some one trade by a strike, still it can only be a very temporary advantage because of the hindrance to the growth of wealth by the cessation of labour, and that in the meantime all other trades must suffer?—Yes, other trades must suffer, first because of the hindrance to the growth of wealth, and second because of the increased prices of commodities consequent upon the increased wages. But it often also happens that a successful strike is a present as well as a future loss to those engaged in it.

33. Will you explain your meaning more fully?—Allowing for accidental stoppages, there will not be in the most regular trades above 50 working weeks in a year, and one week will therefore represent two per cent of the year. If a strike for four per cent rise on wages succeeds in a fortnight, it will take twelve months' work at the improved rate to make up

for the lost fortnight; and if a strike for eight per cent rise lasts four weeks, the workmen will be none the richer at the end of twelve months; so that it frequently happens that even when a strike succeeds, another revision of wages takes place before the last loss is made up: a successful strike is, therefore, like a successful lawsuit—only less ruinous than an unsuccessful one.

34. Is there any other respect in which you think that strikes are injurious?—Yes, assuredly; the ill-feeling which they generate is beyond calculation in extent and in effect. An employer who has invested his whole means in trade, and who has regular orders at market prices, suddenly finds his mill stopped, his machinery rusting, his income reduced to nothing, whilst all fixed charges, such as ground rent, interest of money, property and other taxes are going on as usual; his contracts are also broken, and his customers offended; such a man naturally grows angry, and is less inclined to consult the interests and wishes of his workpeople in future. The workpeople, on the other hand, are taught to believe that the employer could if he would, agree to their terms without injuring himself; and they are also angry and inclined

to care less for the safety of the master's property in future, whilst they too often look upon men who come from worse situations to take wages which they have refused, as if they were unprincipled robbers.

35. And what is the effect of this state of things upon the trade of the particular district?—The employer who has contracts on hand is obliged to go into the market to buy what his own workpeople ought to have made, and thus to give away trade and share his profits with others, or perhaps to suffer positive loss in order to keep his engagements; whilst if he fails to get a supply, or gets an inferior article, his trade may be permanently injured; and people who are inclined to set up new mills or workshops avoid a locality where strikes are frequent as they would a plague, and thus trade migrates elsewhere.

36. You have shown how, in extreme circumstances, wages must necessarily rise and fall; but is it not the fact that under ordinary conditions, men would be (apart from trades unions) simply tools in the hands of the employers?—A skilful, industrious, persevering, and economical working man is at all times about the

most independent member of society; and it is only within a narrow range that even the ordinary workman would be dependent on the employer; for any reduction of wages which would render the employer's capital very profitable, would lead immediately to increased investments, thus increasing the competition for workmen, and so curing the evil. For example, the wages of cotton operatives amount to about £18,000,000 per annum; if an unnecessary reduction of ten per cent took place, this sum seeking reinvestment in one year would require 22,500 extra workpeople, and it would be impossible to find them without a rise of wages. If extra hands be not needed after a reduction, that is proof of its necessity, the reduction has evidently been given to the public in order to keep up trade.

37. Do you think, then, that trades societies ought to be discontinued?—No; but I think they ought to be, and might be, so reformed as to make them acceptable to masters, and more useful than at present to workmen.

38. Will you explain the alterations necessary to bring about these results?—Yes; first, the abolition of strikes and of all rules which

they render necessary; second, the abolition of all restrictions affecting the number of apprentices to be kept by any employer; third, the abolition of all rules which exclude from any trade workmen who have not served an apprenticeship; fourth, the establishment of sickness and burial funds where they do not already exist; fifth, the federation of all the societies in the same trade; and, sixth, the establishment or improvement of trade correspondencies throughout each trade.

39. Why do you propose to do away with the restriction as to apprentices?—First, because it is a tyranny to limit any man's choice of a trade for his son; second, because it is a fruitful source of ill-will with employers; and, third, because it cannot be maintained in its integrity, but simply results in the establishment of non-society shops; and the same principle holds with regard to the exclusion of workmen who have not been apprenticed.

40. But ought not men, who have served seven years to learn a trade, to have some protection against those who have not so served?—No; it is as much a tyranny to prevent a man from changing his trade as it is to keep a youth

from learning one. If apprenticeship is a sacrifice, it ought to be abolished; but if it is a necessity, then the competent interlopers will be so few as not to be worth excluding; and a man who has genius enough to pick up such a trade without teaching, is likely to prove a very useful workman.

41. If these proposed alterations were made, would not the best trades soon be overhanded? That depends upon events which cannot be foreseen, and principally on the future course of trade. The machinery trade has about doubled in ten years, an expansion which could not possibly have taken place if restrictive rules had been enforced. The hatting trade would die out in a generation, if the rule of the trade as to the number of apprentices was enforced. The cotton trade, where these restrictions do not exist, has as frequently been underhanded as overhanded. But the fear of the best trades being overhanded, even if well grounded, is no justification of monopoly and tyranny, by working men against working men, or the children of working men.

42. Why should not working men have their monopolies as well as medical men, and bar-

risters and attorneys?—Monopolies of all kinds are unfair, and ought to be abolished; but the monopolies of the professions are more endurable than those of working men. For instance, it is not absolutely necessary for a man to have been apprenticed in order to become a surgeon; it is sufficient that he proves his competency under examination. The barristers in no way limit the number of their colleagues. The man who proves his competency and attends a few lectures is safe to be called, if his character be good; and if attorneys all took the number of articled clerks which the law allows, the profession would be nearly doubled every five years. Some working-class trade societies allow not more than one apprentice to six workmen; so that to replace those workmen, according to rule, would take forty-two years, whilst the average working life of adults does not exceed twenty-five years. What is to become of all the men who are thus shut out from trades which are ruled by these societies; are they to be condemned to street-sweeping or day-labouring?

43. It is easy to see the value of a sickness fund which would allow a man to migrate without loss of membership; but what good

service do you expect from the trades correspondence?—I expect by its means to keep up wages to the highest point at all times which the market will fairly allow.

44. Will you explain how that is to be effected?—Yes; if a dispute arose in any locality which the trade secretary could not personally, nor by proposal of arbitration get settled, it should then be his duty to advertise (in cipher if preferred) in a particular newspaper, for information as to the state of trade and wages in every locality where the same trade was carried on. It should be the duty of all his colleagues throughout the country to see this paper daily, and to reply immediately to every advertisement. In 48 hours the local secretary would be able to tell his clients if it would be possible to better themselves by removal, and to facilitate their removal if desirable. But if there should be no possibility of improvement by removal, that fact would be proof that a strike could not succeed, because it would be easy to fill up their places, and he would advise them to pocket the affront for the present. The same system might serve individual workmen who were dissatisfied, or who wished to change their locality.

45. But you surely do not propose to remove a whole shop of workmen bodily?—No, such a course would not be necessary; for if an employer found that a small proportion of his workmen could better themselves by leaving him, his eyes would at once be opened, and if he could make a profit at all he would arrange with the remainder of his workpeople to stay; whilst if he could not make a profit by working, the removal of the hands would be alike beneficial to employer and workmen.

46. And do you think that employers would approve of a society constituted as you propose?—I have no doubt of it; for it would do no violence to their arrangements; it would provide for the men in sickness, and by levelling wages in different localities it would prevent any man from being undersold in the market, except by the exercise of superior skill on the part of the competitor, which skill would deserve its extra reward; or by dishonesty, which would soon be apparent, and would be guarded against.

47. Have you any additional reason to urge why societies should adopt your proposals?—Yes; the restrictions pointed out render the

societies semi-illegal, so that they may be robbed without remedy; whilst if these restrictions were abolished the societies could have all the advantages of the Friendly Societies Act. They would then become universal, and would be available to enforce the awards of arbitrators, because the alternative of exclusion from the society would be a real punishment.

48. Have you any other means to suggest by which the condition of the workmen would be improved?—I have already shown how the utmost possible wages may be secured, and if workmen want more than this they must become capitalists.

49. Pray how is it possible for workmen at wages to become capitalists?—Some have done it by economical living, and many more might do it if they would; but there is also a mode by which, without sacrifice and without exertion, the bulk of working men might manage it.

50. Will you please explain the process?—Yes; there exist in this country some 500 or 600 establishments called co-operative stores, for the sale of provisions, clothes, &c. They are established by the subscription of shares of

£1 each, which may be paid up at the rate of threepence per week. These establishments pay interest at 5 per cent on the paid-up shares, and realise an average dividend of 1s. 6d. in the pound on members' purchases. A workman's family spending twenty shillings per week therefore at a well-managed store, would pay up his share in about thirteen weeks, without the sacrifice of a single penny from their ordinary enjoyments, and would afterwards save £4 a year without effort. But the time comes when a well-managed store has too much capital, when, if most of the members belonged to the same trade, they could withdraw a portion of their money, and invest as capitalists in their own occupation, or could go into building societies, or invest in existing joint-stock companies.

51. And would employers favour such investments?—Many employers do favour them at present, and those who do not favour cannot hinder them, for they are both legal and fair. Besides, if any employer thought himself injured by them, he would have a remedy in his own hands, by the adoption of another system equally attractive to the workmen.

52. Will you explain that other system?—Yes; the employer could either convert his establishment into a joint stock company, absorbing the capital of the workmen, and thus making them partners, whilst reserving the management to his own firm; or, without making partners of the workmen, or absorbing their capital, he could make it a rule of the establishment to give, in addition to ordinary wages, a proportion of his net profits (say twenty per cent) to be distributed amongst the workmen according to their wages; or, if he preferred, he might give a moiety of all profit exceeding ten per cent on his investment.

53. And what is to compensate the employer for sharing his profits amongst those who cannot share his losses?—Simply the prospect that the reserved profit of the future would exceed the whole profit of the past.

54. And how is that to be brought about?—By making the workpeople feel that they are truly working for themselves; by exciting their pride in the success of the establishment; by convincing them that by larger production, by better quality and decreased waste, they would

not only add to their present but also to their future incomes. The small tradesman competes successfully with the larger one by his personal oversight and the work of his own hands. "Home-made" means well-made, and the result of such a feeling throughout a large establishment would be good indeed.

55. Then would you have the employer open his books of account to the workmen, to show that the balance was fairly struck?—The books of joint-stock companies are so opened to the shareholders without any evil result, but it would be quite sufficient if the accountant of the firm made a statutory declaration at each balancing as to the amount due to the workpeople; especially if an appeal was allowed to a public accountant, or to the county court judge for the district.

56. But it frequently happens that much of the profit of a cotton spinner is due to his speculations in the raw material, in which the workmen have no possible part; how would you arrange about that matter, for it doubtless applies to other trades also?—It would be only necessary to debit the raw material used each month at the average market price of the month,

so as to leave the employer to the profit or loss of his own speculations, and to confine the interest of the workmen to the branches in which their care would be effective for good.

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